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Public Hearing Testimony of  
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Chief Executive Officer  
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on

TARREN  
Bragdon

**S.B. 194 - An Act Concerning Rate Approvals  
For Individual Health Insurance Policies**

Submitted to the Committee on Insurance and Real Estate  
Connecticut General Assembly  
February 25, 2010

Senator Crisco, Representative Fontana, and Members of the Committee:

Thank you for the opportunity to appear before you today. My name is Tarren Bragdon. I have the honor of serving as chief executive officer of The Maine Heritage Policy Center, a non-profit, non-partisan free-market think tank based in Portland, Maine. I am here at the request of the Yankee Institute, a similar free-market think tank here in Connecticut. Fergus Cullen, their executive director, contacted me about this bill and asked me to testify given my expertise on health insurance issues. I have been providing health policy analysis for almost 14 years, since I first served in the Maine House of Representatives from 1996-2000 on the Health and Human Services committee, through working for the Maine Senate and within the public policy think tank community since 2002.

My work has appeared in the *Wall Street Journal*, *New York Post*, *Boston Globe*, and the *New York Times*; on *Fox News*, *National Public Radio* and *National Public Television*; and in numerous other publications and media outlets. I have testified on health insurance reform issues before the U.S. Senate Small Business and Entrepreneurship Committee and before relevant committees of the Illinois Legislature, New York Legislature, and Maine Legislature. I also have provided analysis<sup>1</sup> on the impact of a "file and approve" proposal for New York, which has not passed despite being discussed every year.

It is a pleasure to be here today.

SB 194 purports to be responding to be real concerns about the impact of health insurance premium increases. However, it is a flawed response, as I will outline shortly and given our experience in Maine.

First, it is important to realize what a dynamic, affordable and choice-rich individual insurance market you have in Connecticut. As someone who laments the lack of choice and high premiums living in a highly regulated state like Maine, I often use health premiums to compare options among various Northeast states. Connecticut always rises to the top. Using ehealthinsurance.com, the largest online broker of individual insurance plans, I looked at plans available to me – a 34-year-old male. Given that the average uninsured male in Connecticut is 35-years-old, this is instructive. As you can see from the table below, Connecticut has one of the most affordable and choice-rich individual insurance markets in the Northeast.

### Individual Health Insurances Plans Available to a 34-year-old Male February 2010

	All Traditional Individual Insurance Plans*				\$1k deductible, with drug coverage	
	# plans	# carriers	Lowest Cost	Highest Cost	Lowest Cost	Highest Cost
CT - Hartford	81	6	\$ 48	\$ 349	\$ 194	\$ 269
MA - Boston	6	1	\$ 300	\$ 396	\$ 372	\$ 372
ME - Portland	14	1	\$ 152	\$ 1,450	\$ 655	\$ 763
NY - NYC	3	4	\$ 561	\$ 1,228	Not allowed	
PA - Philadelphia	87	5	\$ 42	\$ 335	\$ 137	\$ 297

\* does not include state-subsidized plans or ones only available to the self-employed (NY)

Sources: ehealth.com for CT, MA, NY, PA; anthem.com for ME (not available on ehealth)

It is instructive to look at two extremes - what is the cost of getting *any* coverage (the cost of entry) and the worst case scenario (premiums plus maximum out of pocket). In Connecticut, the lowest cost plan is just \$48 a month, less than a typical cell phone bill. In Maine, it is 217% higher at \$152 a month for a plan with a \$15,000 deductible, \$5,000 higher than the referenced CT plan and higher than any sold in CT.

According to ehealth, one of the 10 most popular CT plans costs just \$117 a month for a \$5,000 deductible with no cost-sharing beyond the deductible. The most popular comparable Maine plan is a \$5,000 deductible with a monthly cost of \$318. The worst case scenario for the CT plan is \$6,404 a year (12 months of premium plus the entire cost-sharing). In Maine, that figure is \$8,816, 40% higher.

In short, you have a healthy, affordable, choice-rich individual insurance market. As someone from a state that wants such a competitive market, I would strongly caution you against making changes that would jeopardize that market and likely raise costs and restrict choices for patients.

Maine has a very politicized “file and approve” process. However, Maine’s process is not as politicized as the one being proposed by SB 194. Yet, Maine’s “file and approve” process has had a very negative impact on patients:

1. **It has resulted in carriers leaving the market mean less choice for consumers.** Maine has just six carriers selling in the individual market with only three carriers with more than 20 covered lives.<sup>ii</sup> Connecticut has ten.<sup>iii</sup> New Hampshire, with the same population as Maine, has nine.<sup>iv</sup> In the early 1990s, before Maine created a more politicized and restrictive regulatory environment, there were eleven carriers in the individual market.
2. **It has been a factor in a shrinking individual market.** In 1993 there were almost 90,000 in Maine’s individual insurance market, before major reforms establishing a guarantee issue mandate, restrictive rating and a politicized “file and approve” process. Today, there are less than 29,000 with traditional health insurance. Despite the fact that the individual market has been growing nationally and growing even in this recession as people lose employer-sponsored coverage, the market in Maine is in a death spiral.
3. **It has eliminated all HSA-eligible plans for new subscribers.** Because the Maine Bureau of Insurance approved a premium increase below trend in Maine’s individual market, the HSA product had to be pulled, so that costs for small business and other individual plans would not have to increase to subsidize it. The approved rate was not adequate. This means that today Maine patients are stuck with high deductible plans with no pre-tax savings option. This is all because of the politicized process that ultimately took away choices for the consumer and increased their tax bill for their out-of-pocket expenses.
4. **It limits the ability of new products and lower cost plans.** Because of the lengthy, unpredictable process, in effect carriers are unable to create new plans until they go through the approval process for current plans. This means new, more affordable options are not on the table. Consider a plan with a \$1,000 deductible and a requested premium increase. Until that increase is acted upon, the carrier is not able to then analyze and consider offering a plan with a slightly higher deductible before requesting a similar premium increase – for this example, a \$1,200 deductible. What this has meant in Maine is that patients are left with one choice, the current plan with whatever approved premium increase with NO ability to trade off a slightly higher deductible for a lower premium. In our individual market, the deductibles increase in \$1,000 or \$5,000 increments. Those aren’t real choices. This limits choices and forces patients into higher cost or higher deductible plans than what they may want or what may be ideal for their situation.
5. **It is a very long process, creating a lot of uncertainty for consumers with little impact on overall premiums.** In 2009, a Maine carrier announced in January a premium

increase to be effective May 1. The average increase was 14.5%, with an upper increase of 8% to 34%, depending on the plan. Because of delays in the hearing process and revised filings, the actual approved rate was effective on July 1 with an average increase 10.9%, below trend. The difference for a typical plan between the original requested monthly premium and the final approved premium was \$11 a month.<sup>v</sup> That is a long, contentious process for not a significant difference in cost to the patient.

In summary, based on my understanding of SB 194 and the experience of New York with “file and use” and the experience of Maine with a politicized “file and approve” process, I recommend you keep the current effective process.

Maine wants your choice-rich, affordable and competitive individual market.

Don’t be like Maine. Don’t drive carriers from your market, make the market shrink, reduce choices, eliminate HSA-eligible plans for new subscribers, have fewer new innovative and more affordable products, and create more uncertainty. SB 194 may be well-intentioned but it will set up a destructive politicized “file and approve” process like Maine’s.

Thank you for your time. I am happy to answer any questions.

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<sup>i</sup> Source: Manhattan Institute’s Empire Center for New York State Policy: [http://www.empirecenter.org/Policy-Briefings/2006/03/treating\\_the\\_sy.cfm](http://www.empirecenter.org/Policy-Briefings/2006/03/treating_the_sy.cfm)

<sup>ii</sup> Source: Maine Bureau of Insurance: [http://www.maine.gov/pfr/insurance/employer/snapshot\\_individual.htm](http://www.maine.gov/pfr/insurance/employer/snapshot_individual.htm)

<sup>iii</sup> Source: Connecticut Insurance Department: <http://www.ct.gov/cid/cwp/view.asp?q=254440>

<sup>iv</sup> Source: New Hampshire Insurance Department: <http://www.nh.gov/insurance/consumers/documents/indlist.pdf> (2008)

<sup>v</sup> Source: Maine Bureau of Insurance filings. Available at: [http://www.maine.gov/pfr/insurance/bluecross\\_anthem/2009\\_rate\\_filing/index.htm](http://www.maine.gov/pfr/insurance/bluecross_anthem/2009_rate_filing/index.htm)